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Supreme Court of the United States

October Term, 1947.

REYNOLDS METALS COMPANY,

Petitioner,

versus

**C. D. SKINNER and
LEO C. BRADLEY,**

Respondents.

*On Petition for a Writ of Certiorari to Circuit Court
of Appeals for the Sixth Circuit.*

RESPONDENTS' BRIEF OPPOSING CERTIORARI.

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INDEX.

	PAGE
Opinions Below	1
Counterstatement of Facts	1- 5
Summary of Argument	6
Argument	6-13
 FIRST POINT: The decision of the Circuit Court of Appeals involves no question of patent monopoly. It merely holds that the Petitioner's Contract obli- gates it to pay royalties to the Respondents for the use of their patents	6- 9
 SECOND POINT: The Circuit Courts of Appeals are not in conflict (1) on any question or (2) on any patent, involved in this case	9-12
 THIRD POINT: Production on the unpatented processes and devices does not carry royalty	12-13

AUTHORITIES CITED.

	PAGE
<i>Eclipse Bicycle Co. v. Farrow</i> , 199 U. S. 581.....	7, 11
<i>Furrer v. Ferris</i> , 145 U. S. 132.....	7
<i>General Pictures Co. v. Electric Co.</i> , 304 U. S. 175.....	12
<i>Keller v. Adams-Campbell Co.</i> , 264 U. S. 314.....	11
<i>Kessel v. Vidrio Products Corp.</i> , 113 F. 2d 381.....	11
<i>Layne, etc. Co. v. Western Well Works</i> , 261 U. S. 387..	12
<i>Limbershaft Sales Corp. v. A. G. Spalding & Bros.</i> , 111 F. 2d 675.....	11
<i>Scott Paper Co. v. Marcalus Mfg. Co.</i> , 326 U. S. 249...	9
<i>Westinghouse Co. v. Formica Co.</i> , 266 U. S. 342.....	9
Rules of Civil Procedure, Rule 52, 28 USCA §723c....	7

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Opinions Below.

The Findings of Fact and Conclusions of Law of the District Court (R. 80-94) are reported in 69 Fed. Supp. 306 (not 61 Fed. Supp. as in the Petition). The opinion of the Circuit Court of Appeals (R. 636) is reported in 166 Fed. 2d 66.

COUNTERSTATEMENT OF FACTS.

The Petitioner became the holder of the legal title, as assignee, of the patents involved in this case. They were assigned to it by the Respondents under the terms of a written contract whereby the Petitioner agreed to

pay the Respondents certain royalties "for the life of the patents" upon "all extrusion products made in accordance with or embodying the inventions disclosed and claimed in such patent" (R. 9). The agreed minimum annual royalty is \$5,000 (R. 5). The contract provides that the Petitioner "may terminate its obligation to pay royalty" before the expiration of the patents, by (a) reassigning the patents; (b) assigning to Respondents any license agreements made by the Petitioner with others; and (c) "discontinuing the extrusion of metals under and by means of the processes, patents and devices" of the Respondents (R. 6).

The Petitioner paid royalties under this agreement upon these patents between August 1, 1941, and November 27, 1943, aggregating \$87,444.64 (R. 13). The Trial Judge found that additional royalties were owing by Petitioner to Respondents for extrusion products manufactured and sold by the Petitioner between these same dates in the sum of \$77,821.53 (R. 95), most of which is not involved in the questions raised in the Petition for Certiorari.¹

On September 23, 1943, the Petitioner gave the Respondents notice of termination of the contract and attempted to reassign the patents (R. 88). Both lower courts held the attempted termination ineffective because the Petitioner (a) continued thereafter to manufacture extrusion products which embodied "the inventions disclosed and claimed" in the patents (R. 89-91, 93, 644, 646-8); (b) did not assign to Respondents

¹The judgment included no royalties accruing after November 30, 1943 (R. 95), and, therefore, none accrued in 1944, when the Petitioner claims to have operated as agent for Defense Plant Corporation (See Petition, p. 3, Footnote).

a license which it had issued to Extruded Metals, Inc. (R. 641-2, 643); and (c) did not discontinue the extrusion of metals by means of certain unpatented processes and devices installed by the Respondents in establishing the Petitioner's extrusion business (R. 90, 93, 638, 649-52).²

The Petitioner, therefore, appears in this proceeding seeking to have its course charted for the proper procedure, if possible, (1) to continue the extrusion of products, particularly hard aluminum alloys, "embodying the inventions disclosed and claimed" in the patents, and yet (2) to terminate its contract to pay the royalty reserved thereunder. In whatever light the case is viewed, it is an attempt by the Petitioner, as assignee of these patents, to strike them down in order to escape its liability for royalties to the Respondents.

1. Neither the District Court nor the Circuit Court of Appeals required the Petitioner to pay royalties for the use of structures disclosed in any expired prior art patent.

The Petitioner's assertion (Brief, p. 9) that it is held "subject to royalty for use of a tapered die and its tapered die enclosure as disclosed in an expired prior art patent," is without any support in the Record.

²The statement in Petitioner's Brief (Footnote, p. 13) that no contention was made to the effect that the contract required for termination discontinuance of the unpatented devices and that there was no identification of any unpatented devices prior to the suit, is utterly refuted by the correspondence between the parties (Ex. 25, p. 326; Stipulation, par. 10; R. 52, not printed in the Record). This contention was immediately raised when it became material upon the Petitioner's attempted termination of the contract on September 23, 1943, before the suit was brought.

The decision holds the Petitioner liable for royalty for the use of the tapered die and tapered ring assembly which the trial Judge found it continued to use after September 23, 1943 (R. 90). This was a claim covered by Patent 2,176,364. This patent was procured on Respondents' application, assigned to Petitioner, and prosecuted by Petitioner to final issue, and changes, or cancellation of claims, if any, were made by the Petitioners without Respondents' knowledge or consent (R. 121, 140).

The patent, with file wrapper (Ex. O, Deft. Vol. I, pp. 448, 501-4, not printed in the Record) covers the tapered die and die assembly. The application (*Ibid*, p. 456) describes the diagrams of this die and its assembly in Figs. V to XIV, the organization of the tapered die and keeper ring. Petitioner's standard die and die assembly are evidenced by its models, Ex. "A" and Ex. "B," and they were shown to have been designed by Respondents in 1937 by diagram (Ex. 27, not reproduced in printed Record), offered in evidence (R. 278) and adopted by the Petitioner in its standard die assembly (Ex. 26, not reproduced in printed Record) and proven (R. 276).

The trial court found these Exhibits "A" and "B" were practically identical with design, Exhibit 27, and that they incorporated features covered and claimed by such patent (R. 90-91, Findings Nos. 21 and 23).

That Petitioner's assertion lacks any foundation is best evidenced by the fact that *Petitioner did not even request the Trial Judge to find that the tapered die and tapered die assembly were anticipated by any expired*

prior art patent or that the scope of the patent was limited by any prior art (R. 76-79).

2. The Petitioner states (Brief, p. 9) that

"The decision in the instant case also holds Petitioner responsible for royalties by reason of claims that had been cancelled."

This statement, made without reference, is not borne out by the Record. Each item of royalty referred to by the Trial Judge was based upon production by the Petitioner under claims in the assigned patents (R. 89-91).

3. The Petitioner was permitted to introduce evidence in respect of alleged prior art patents throughout the proceeding. This evidence was thoroughly considered (R. 644, 646-8). The Court found that "various Skinner and Bradley patents open up a new field" (R. 646), and that the annular ring or mixing chamber in the Skinner patent "was a new feature in the building of extrusion dies and of great importance," and that "neither Dick nor Lepan disclosed this feature." It considered the alleged prior art patents in so far as "they illuminate the scope of the patent" (R. 648). The Petitioner made no request for any Finding in respect of any prior art patent (R. 76-79).

Summary of Argument.

The decision of the Circuit Court of Appeals: (1) does not in any sense enlarge the patent monopoly, but merely holds the Petitioner liable under its contract to pay royalties which it agreed to pay to the Respondents for the use of their patents; (2) is not in conflict with the decisions of any other Circuit Court of Appeals; and (3) does not award royalties on unpatented devices, but holds, in accordance with the contract, that the Petitioner failed to discontinue the use of certain unpatented processes and devices, which was an agreed condition precedent to the termination of the contract.

ARGUMENT.

FIRST POINT.

The decision of the Circuit Court of Appeals involves no question of patent monopoly. It merely holds that the Petitioner's contract obligates it to pay royalties to the Respondents.

The Petitioner agreed to pay royalties to the Respondents during the life of the assigned patents on

“all extrusion products made in accordance with or embodying the inventions *disclosed and claimed* in such patent.”

The Circuit Court of Appeals held that the Petitioner is required to pay royalties on the products manufactured by it because their manufacture embodied “the inventions disclosed and claimed” in the

patents. It held that the Petitioner (1) could not dispute the *validity* of the patents assigned to it and, (2) after giving full consideration to the scope of the patents as illuminated by the alleged prior art patents, the manufacture by the Petitioner was within the scope of the assigned patents (R. 644, 648). The decision is precisely in line with the decisions cited from other Circuits (see *infra* pages 10-11).

No question of patent monopoly is involved. This is not an infringement suit which can in any way affect the rights of the public. The decision is founded on the construction of the contract between the parties and affects them only.

Both courts below followed the decision of this Court, in an opinion by Mr. Justice Holmes, in *Eclipse Bicycle Co. v. Farrow*, 199 U. S. 581, wherein this Court held in respect of a contract to pay royalties on the "invention above referred to" that if the contrivance used embodied the invention described, "then the defendant is bound to account for it by the express terms of its covenant" (p. 587).

The Circuit Court of Appeals found that the patented devices used by the Petitioner were within the term "invention" as used in the contract. This finding is one of fact, and in the absence of manifest error will not be disturbed (*Furrer v. Ferris*, 145 U. S. 132, 134; Rules of Civil Procedure, 52; 28 USCA §723c).

The contest centered largely around Skinner's porthole die and its refinements. This invention is a die assembly for continuous double extrusion of hard aluminum alloys. It consists of a male or mandrel

carrying die with a so-called porthole or portholes through which the metal is extruded into a chamber described as an annular ring or mixing chamber and through which the mandrel extends into the opening in the female die. The metal, during the first extrusion into the mixing chamber, homogenizes around the mandrel and builds up a back pressure on the carrying web of the male die sufficient to equalize the down pressure through the press of the oncoming metal. The second extrusion follows around the mandrel through the female die for such tubular or hollow shapes as the ingenuity of the mechanic may design.

Everything the Petitioner offered in evidence attempting to restrict the scope of the patent was admitted by the Trial Judge and considered by both of the lower courts. The prior art patents alleged to anticipate Skinner's were those of Lepan and Dick, referred to in the opinion of the Circuit Court of Appeals (R. 648). There were no prior art patents expressly designed for the continuous extrusion of hard aluminum alloys into hollow shapes (R. 132, 647-8).

All of this evidence was considered by the Circuit Court of Appeals, and it found (R. 648),

"the prior existence of the French patent to Lepan, 8282, and the patent to Dick, 715,358, for lead extrusion and copper extrusion respectively are irrelevant to the controversy except as they illuminate the scope of the patent. Both Dick and Lepan are not shown to have been used for the extrusion of aluminum."

Extrusion of aluminum requires the metal to be subjected to heat of from 600 to 1000 degrees Fahrenheit and to a pressure of 100,000 pounds per square inch and upward so that (R. 648),

"the necessities of aluminum extrusion are sharply differentiated from those of lead and copper."

Neither Dick nor Lepan disclosed the feature of the annular ring or the mixing chamber (R. 648), which the Court found,

"is an important element in the Skinner die assembly. * * * It was a new feature in the building of extrusion dies and of great importance * * *,

The three decisions of this Court cited by the Petitioner are admittedly infringement cases. There is a well grounded distinction between these infringement cases and a suit upon a contract between the parties for royalties.

Courts are at all times zealous to protect the general public interest where such interest is involved, but the public is not affected by a decision which merely construes a contract between the parties, and requires one of them to make payment of royalties which the Court finds it agreed to pay. In the cited cases (*Westinghouse Co. v. Formica Co.*, 266 U. S. 342; *Scott Paper Co. v. Marcalus Mfg. Co.*, 326 U. S. 249), the Court held that the public had an interest in the decision, which is not the case here.

SECOND POINT.

The Circuit Courts of Appeal are not in conflict on any question involved in this case.

I. There is no conflict between the decision of the Sixth Circuit Court of Appeals in the instant case and the decisions of the Second and Seventh Circuits.

The Sixth Circuit Court of Appeals, in considering "Appellant's [Petitioner's] contentions as to the non-validity of the patents involved," held that neither a licensee nor an assignee may dispute the *validity* of a patent in a suit for royalty. In that connection the Court said that "since the issue is not one of infringement we are not concerned with the prior art" (R. 645-6).

The Court did, however, consider the prior art in construing the *scope* of the patent (R. 647-8). It said that the prior patents "are irrelevant to the controversy except as they illuminate the scope of the patent." It then found that the prior patents were not anticipations of the Skinner patent which involved "a new feature in the building of extrusion dies" and that "neither Dick nor Lepan disclosed this feature." Other novelties in the Skinner and Bradley patents were likewise pointed out as not having been anticipated by the prior patents.³

This holding is precisely in line with the decisions of the Second and Seventh Circuits.

³Although the Petitioners made no request for any Finding of Fact in respect of any alleged prior art patents (R. 76-79), the Court did consider them.

In *Limbershaft Sales Corp. v. A. G. Spalding & Bros.*, 111 Fed. 2d 675; 2 CCA, a licensor of a patent sued the licensee for royalties. The Court there held, exactly as it was held by the Sixth Circuit Court of Appeals in the instant case, that a licensee "is estopped to deny the validity of a patent" but that the Court may consider the prior art in determining the scope of the patent.

In *Kessel v. Vidrio Products Corp.*, 113 F. 2d 381 (7 CCA), the licensor of a patent sued the licensee for patent infringement. The Court said the licensee was estopped to deny the *validity* of the patent (p. 382), but that the claims of the patent must be read and interpreted with reference "to the then existing state of the art" (p. 383).

There is no difference between the rules laid down by the Sixth Circuit in the instant case, and the rules laid down by the Second and Seventh Circuits. If there is any difference between the Circuits, the Sixth Circuit, in the case at bar, has followed the decision of this Court, never disapproved, in *Eclipse Bicycle Co. v. Farrow*, 199 U. S. 581, 587-8, which settled the law.

II. There is no conflict between the Sixth Circuit in the case at bar and any other Circuit with reference to the patents involved in this suit.

This Court has held that patent cases with the usual issues of invention, breadth of claims and non-infringement "this court will not bring here by certiorari unless it be necessary to reconcile decisions of Circuit Courts of Appeals on the same patent (*Keller v. Adams-*

Campbell Co., 264 U. S. 314, 319; General Pictures Co. v. Electric Co., 304 U. S. 175, 178-9; Layne, etc. Co. v. Western Well Works, 261 U. S. 387, 393).

THIRD POINT.

Production on the unpatented processes and devices does not carry royalty.

The contract required the Petitioner to pay royalty on a percentage basis and a minimum annual royalty of \$5,000 (R. 5) "for the life of the patents" on extrusion products "embodying the inventions disclosed and claimed" in the patents (R. 9). The Petitioner was given the right to "terminate its obligation" to pay royalties upon the conditions precedent that it would (a) reassign the patents to the Respondents; (b) assign to the Respondents any licenses granted to others; and (c) discontinue "the extrusion of metals under and by means of the processes, patents and devices" installed by the Respondents in setting up the Petitioner in the extrusion business (R. 6).

The Petitioner failed to assign to the Respondents licenses granted to others (R. 86-7), and the trial courts found that the Petitioner failed to discontinue the use of the processes, patents and devices installed by the Respondents (R. 90, 93).

The Circuit Court of Appeals disagreed as to certain of the processes and devices of Respondents, but likewise held that the Petitioner failed to discontinue the use of some of the processes and devices installed by the Respondents (R. 638) and that the Petitioner

entered into a license agreement with another manufacturer (R. 641-2), which was not assigned to the Respondents. Thus, the Petitioner, in fact, failed to perform the conditions precedent for terminating its agreement to pay royalties. That was all that either court held with reference to the processes and devices.

Both lower courts found that the Petitioner continued, after the attempted termination of the contract, to manufacture extrusion products which embodied the inventions disclosed and claimed in the patents (R. 90, 91, 643-5, 648). On that ground, and on that ground alone, as expressly provided in the contract, the Petitioner was required to pay the royalties which it had agreed to pay.

This is no question of general interest and importance such as under the Rules of this Court warrant review by *certiorari*.

Respectfully submitted,

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